Chapter 9

Indiana Port Commission Strategic Plan and Business Plan

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Introduction

The Indiana Port Commission was created by act of the Indiana General Assembly in 1961 and is charged with promoting the agriculture, industrial and commercial development of the state through the establishment of port facilities upon Indiana's navigable waterways and developing and marketing a statewide network of Foreign-Trade Zones. Port Commission members are appointed to four-year terms by the Governor. No more than four of the seven Commission members may be of the same political party.

Indiana's port system is comprised of three (3) public facilities: Burns Harbor, Southwind Maritime Center, and the Clark Maritime Centre. Indiana's International Port at Burns Harbor on the Lake Michigan shoreline in Porter County was dedicated in 1970. Southwind Maritime Centre on the Ohio Rover, just east of Mt. Vernon, Indiana, began operations in 1977. Clark Maritime Centre, in Clark County also on the Ohio River, opened in 1985. Through 1993, over 83.0 million tons of cargo--an average of 5.5 million tons annually--have moved across the docks at Indiana's three public ports. Industrial sites have been developed at each port for the location of firms directly engaged in marine transportation or for those firms seeking proximity to multi-modal terminal facilities.

To date, approximately $850.0 million in public and private sector funds have been invested in the Indiana port system. For every dollar spent by the state and the Port Commission on public improvements to the ports almost eight dollars have been spent by private firms that maintain operations at the ports. As a result of this public/private partnership, Indiana has in place a modern, high-capacity port system, capable of responding to domestic and expanding world market trading opportunities.

The Port Commission has historically used limited state appropriations, tax-exempt revenue bonds, and federal grants to finance capital improvements and infrastructure development at the three ports. The Port Commission continues to meet ongoing operating cash requirements solely from revenues generated by user fees, land leases, other port charges, and interest income. Unlike many ompeting public ports, no operating subsidy is received from the State of Indiana.

The Great Lakes Operating Environment

Trade on the Great Lakes/St. Lawrence Seaway System is constrained by a complex and interrelated web of economic, technological, and regulatory factors. Most prominent among these has been the advent of intermodalism and the resulting changes in the shipping industry. All but the smallest first and second generation container vessels are too large to navigate the Seaway System of locks and dams.

Furthermore, double-stack and piggy-back rail service provides shippers a faster, regularly scheduled alternative to and from East Coast load-center ports at very competitive rates. International traffic on the Great Lakes/St. Lawrence now represents only 13% of total system tonnage.

Market-driven movements of bulk and neo-bulk commodities indigenous to the midwest region will continue to dominate Great Lakes trade for the foreseeable future. Any significant movement of general cargo will likely come as a result of innovative service arrangements between ports, carriers, and shippers serving certain domestic and international "niche" markets.

Indiana's only International Port, Burns Harbor, located at Portage is in the heart of the nation's most productive steel manufacturing region. The International Port is well situated to further serve the rich agricultural market of northern Indiana and central Illinois. Primary cargoes handled at the port are iron ore, coke, grain, fertilizers, and steel products. Currently, thirty (30) private maritime related firms are operating at Burns Harbor on property leased from the Port Commission. These firms are engaged directly in marine transportation activities or capitalize on the proximity of maritime terminal facilities. Representative industries and services include general cargo, stevedoring, grain handling, dry and liquid fertilizer, asphalt production, ice control salt, steel processing, and towboat services.

The Inland Waterways Operating Environment

In the life cycle of U.S. port facilities, Clark and Southwind Maritime Centres are still in their infancy. Traffic on U.S. inland waterways, as on the Great Lakes, is driven by domestic and world demand patterns for dry and liquid bulk commodities moving up and down the system. For instance, total inland waterway commerce fell below 556.0 million short tons in 1983 during the recession, but has since climbed back to more than 600.0 million tons per year. The level of federal support for lock/dam projects, channel dredging, environmental regulations, coupled with advances in towboat/barge technology,

will each impact significantly on competitiveness of the inland waterways compared to other modes of transportation.

In Indiana, improved highway and rail access to public ports are of critical importance to increasing usage and attracting development to each of the three (3) port sites. Completion of on-site infrastructure projects, such as sewer and water lines, roadway, and rail track, are no less important for sustaining port growth.

Strategic Management Process

Strategic management can help an organization respond to changing conditions today and thereby bring about intended results tomorrow. The strategic planning model provides a framework for integrating day-to-day operations with advance planning. The process begins with a review of the organizations primary purpose for being, along with an analysis of the current internal and external operating environment. Next, key strategic issues are identified, and intended results or goals are formulated. Strategies are then put in place to achieve the goals and are implemented accordingly. Throughout this process, the Port Commission's business environment, goals and strategies must continue to be reevaluated and updated.

Mission of the Indiana Port Commission

Articulation of an agency's mission, or reason for being, is the central element of a strategic management plan. The mission statement communicates the Port Commission's fundamental aims by identifying the business the agency is engaged in, the market it serves, its profit motive, and whom it is in business to benefit. The following is the current mission of the Indiana Port Commission:

> *The Indiana Port Commission is entrusted by the citizens of Indiana to manage and develop public port facilities in accord with statutory purposes and principles of sound public stewardship. Our mission is to provide the requisite services for the continuation and enhancement of maritime-related commerce, including: continued enhancement or port infrastructure; Foreign-Trade Zone development; domestic and international marketing; facilitation of industry and commerce, and utilization of the three public ports for import/export and manufacturing. To this end, the Commission will endeavor to make certain that agency activities are made economically self-supporting by generating revenue sufficient to achieve the widest and fullest realization of the ports' potential. The Commission's efforts will be undertaken entirely for the benefit of the citizens of Indiana in partnership with State government.*

Strategic Port and Waterway Issues

Issues identified during the planning and updating process as most critical to the future of Indiana's ports and waterways are listed below. They cover almost all aspects of port activity, including marketing, property management, governing structure, ongoing planning, and regulatory affairs:

- Financial Program/Direction
- Marketing Program/Direction
- Capital Improvement Program/Direction
- Management Communication and Teamwork
- Transportation Infrastructure Development
- Retention of Port Commission Independence
- Governing Body Programs/Direction
- Internal Organization
- Facilities Maintenance Program
- Labor Relations
- Environmental/Regulatory Program/Direction
- Future Planning Activities and Requirements

Goals and Strategies for Indiana Ports and Waterways

In response to the strategic issues outlined above, a set of goals (results) and realistic strategies (actions to achieve results) have been established and updated. The following is a summary of the Port Commission's strategic planning goals and strategy/action steps for each issue area.

Financial Program/Direction

- *Increase operating revenues from fees and leases to lessen dependency on interest income.*
  - Monitor and adjust port tariffs as needed in order to increase income and maintain competitiveness.
  - Establish in-house operating procedures to track competitive ports' tariffs and make appropriate changes.
  - Establish a formal policy and procedure to standardize new and renewed lease rates.
- *Obtain indirect financial support for port administrative/marketing activities.*
  - Solicit utilities, foundations, private corporations, railroads, universities and other entities to further leverage the ports' limited operating/marketing budgets.

- *Reduce operating expenses to maximize effective utilization of operating income.*
  - Perform annual internal operational audits to eliminate potential areas of inefficiency and waste.

Marketing Program/Direction

- *Identify and pursue economically viable cargo movements.*
  - Interact with existing tenants, regional economic development officials, and state-based industry leadership groups (Indiana Chamber of Commerce, Indiana Manufacturers' Association and others) to identify potential manor industrial/commercial port users.
  - Improve data collection on cargo movements to support marketing decisions and initiatives.
  - Strengthen relationships with freight forwarders, shipping agents and trading houses in order to increase tonnage.
  - Develop and implement a comprehensive marketing plan.
  - Establish a greater presence in the Commission's primary and expanding markets located in the U.S. Gulf, Canada, Europe and Latin America.
  - Partnering and cost sharing in marketing efforts with private firms.

Capital Improvement Program/Direction

- *Complete overall infrastructure development of the three ports by the year 2000.*
  - Update and implement land use plans for each port, including an itemization of capital improvement needs through the year 2000.
  - Seek and obtain capital development funds from the Indiana Legislature to complete port infrastructure.
  - Lobby and obtain federal resources in cooperation with state Congressional delegation to provide capital funding for qualified water-related projects.
  - Explore all other creative financing arrangements for capital improvement projects.

Management Communication and Teamwork

- *Improve quality and frequency of communication between management units and nurture "esprit de corps" among ports units.*
  - Establish orientation program for managers to improve understanding of each others' roles, and foster mutual support.
  - Convene regularly scheduled management meetings.
  - Identify and resolve role conflicts among management/staff.

Transportation Infrastructure Development

- *Initiate and support strengthening of Indiana's transportation infrastructure to facilitate trade and commerce.*
  - Establish and maintain efficient and competitive rail service and truck access to each of Indiana's public ports.
  - Lobby for construction and maintenance of adequate bridges, overpasses, and roadways to serve each public port.
  - Insure continued unimpeded water access to Indiana's ports by obtaining federal/state assistance with channel dredging, breakwater maintenance, harbor soundings, and dredge disposal.
  - Develop ancillary marine services at each port, such as fabrication, dry-docking, bunkering, chandlering, and midstream services.

Retention of Port Commission Independence

- *Retain the port commission as an independent, bipartisan body as presently provided for in I.C. 10-1-1.*
  - Provide executive and legislative branches of Indiana government with evidence in support of this goal.
  - Provide leadership and information to statewide businesses and media to support this concept.

Governing Body Programs/Direction

- *Activate a progressive role for port commission to insure creation of policies that lead to effective administration, operation, and marketing of Indiana's port system.*
  - Establish governing structure committees that draw upon individual members' areas of expertise to review policy matters and make recommendations to the body as a whole.
  - Develop on-going educational program and emphasis to improve commission members' knowledge and skill base.

Internal Organization

- *Organize port operations which will most efficiently allocate human resources.*
  - Conduct feasibility analysis to study contracting-out for certain services currently performed in-house.
  - Organize and consolidate all policy directives into comprehensive policy manual for distribution to all employees.
  - Delineate management operating authority by adoption of management policy directive.
  - Provide equal employment opportunity.
  - Adopt updated enabling Legislative Rules for port operations.

Facilities Maintenance Program

- *Develop planned maintenance program for each port covering all physical properties and improvements to best control costs.*
  - Annually inventory all material, equipment and supplies; schedule regular maintenance and replacement; and liquidate all surplus inventory.
  - Pursue local and state dedication of port roadways to eliminate port responsibility and cost of road maintenance where possible/
  - Maintain contracts with short-line rail operators to provide quality service and rail maintenance at each port.

Labor Relations

- *Utilize offices of the Port Commission to foster positive working relationships between port tenants, shippers, and labor.*
  - Conduct port orientations for Port labor-management representatives. Ensure compliance with all regulations affecting port activity and adopt pro-active policy regarding interaction with all such regulatory agencies.
  - Monitor all pending regulatory changes affecting on port operations and lobby for port interests.

Environmental/Regulatory Program/Direction

- *Ensure compliance with all environmental regulations and adopt pro-active policy with respect to potential environmental degradation or conflict.*
  - Monitor for compliance with, and enforcement of all environmental regulations applicable to port sites.
  - Convene meetings with state and federal agencies, citizens groups and tenants to foster good relations and mutual respect.

Future Planning Activities and Requirements Financial Program Direction

- *Utilize strategic planning model to forecast future port business environment, set agency goals and determine action steps.*
  - Prepare integrated (cargo and industrial development, maintenance, and capital improvements) plans for each facility, based on analysis of market demand, existing facilities and planning constraints.
  - Closely monitor strategic plan and individual port business plans.
  - Annually reassess agency's external/internal environment, goals and action plans.

Strategic Plan Implementation

No matter how well conceived, this plan will not be effective unless it is properly and conscientiously implemented and monitored. Accordingly, the following measures will be taken to ensure integration of this plan with ongoing port operations:

1. All employees will be updated on both the planning process and the content of this document. Each employee of the Port Commission should understand the agency's mission, current critical issues the organization faces, and future strategic goals that have been outlined.

2. The planning team, under the guidance of the Executive Director, will continue to oversee the strategic planning process, develop and recommend to the Commission new strategies as evolving issues are confronted. Train employees to address their work in a strategic manner.

3. Management team members will be held accountable for continuation of the plan's components which are under their jurisdiction. Annual

performance appraisals will include a review of progress toward achieving strategic goals and objectives.

4. Major review of the plan will be undertaken on a three-to-five year cycle. Planning goals and strategies will be reviewed annually in conjunction with the yearly approval of the budget by the Port Commission. Amendments to the document will be made at such time.

5. It shall be the primary responsibility of the Director of Planning and Grants, under the direction of the Executive Director, to oversee the ongoing strategic planning effort.

Indiana Port Commission 1994-1996 Business Plan

The Indiana Port Commission Business Plan has been carefully drafted to foster a common understanding of the Commission's mission and business strategy. This business plan represents the total port family as it has incorporated comments and business objectives of port users, port tenants and labor, industry, government officials and community leaders.

The Indiana Port Commission has just concluded the two most successful two years in the Commission's history with over $200.0 million in new private investment in port facilities and a 28.0% increase in new job creation. This achievement was accomplished through creative innovations in marketing, operations and the forging of a cooperative alliance with labor, stevedore/operators and industrial tenants.

The Indiana port system, armed with sound business and strategic plans, newly expanded markets in Canada, Mexico and Eastern Europe, and a strong, experienced management team, is poised for the future and will continue to be a positive force in building a sound and diversified economic base for the State of Indiana.

Port and Waterway Vision

The public ports of Indiana seek to be the leading international and domestic gateway and goods movement distributor in the Midwest, as well as develop an international and domestic goods movement network anchored in the region. Commercial and economic development have played a guiding role in the Commission's activities since its inception in 1961. This theme was incorporated

in the enabling legislation that describes the role of the Indiana Port Commission to be:

> *"... to promote the agriculture, industrial and commercial development of the State and to provide for the general welfare by construction and operation . . . of a modern port on Lake Michigan and/or the Ohio River and/or Wabash River with terminal facilities to accommodate water, rail, truck, and airborne transportation...and the port authority shall foster and encourage the participation or private enterprise in the development of the port facilities to the fullest extent possible...."*

Port and Waterway Mission

The Indiana Port Commission is entrusted by the citizens of Indiana to manage and develop public port facilities, in keeping with statutory purposes, and the principles of sound public stewardship. The Port Commission's mission is to provide the services requisite for the continuation and enhancement of maritime-related commerce, among which are:

- Continued enhancement of port infrastructure;
- Foreign trade zone development;
- Domestic and international marketing, and;
- Facilitating industry and commerce utilizing the three public ports for import/export and manufacturing.

To this end, the Port Commission will endeavor to make certain that agency activities are made economically self-supporting by generating revenue sufficient to achieve the widest and fullest realization of the ports' potential. The Port Commission's efforts will be undertaken entirely for the benefit of the citizens of Indiana in partnership with State government.

Business Environment

As maritime industry in Indiana continues to evolve in the face of economic change and industry consolidation, the Port Commission continues its objective examination of opportunities available, both as port landlords and as maritime economic developers for the state.

The Port Commission's initiatives have been strongly influenced by fundamental strategic evaluation currently underway. The focus on key areas of concern includes:

1. Maximum utilization of assets based on the Indiana Port Commission's understanding of current state funding policies for maritime capital development;

2. Need for additional port services to enhance Indiana's competitive position in the market;

3. Role of labor in port competition and the Commission's ability to influence their actions;

4. Increasing emphasis upon private investment within port facilities, and;

5. Positioning the Indiana Port Commission for future growth and how the Commission might influence or capitalize on current, and future shifts in trade patterns.

The Port Commission is also carefully examining its financial position and the likelihood of generating additional revenue through introduction of user fees, as well as an increase of its eighteen (18) year old tariffs. This fundamental and dynamic process is designed to address the Port Commission's core business needs in a systematic and logical approach.

In 1990, the Indiana Port Commission retained Indiana University's School of Public and Environmental Affairs to conduct an in-depth analysis of what Indiana's public port system contributes to the State's economy. The analysis was then updated in 1992. Findings were impressive; three statewide public port locations manage cargo flows and distribution in which 52 Indiana counties are affected directly, and most others benefit indirectly. Their analysis showed that 2,300 direct and indirect private sector family wage jobs have been created by the public port system. Private sector investment to date has been over $500.0 million. The study further indicated that 1989-1991 were the most successful years in the Indiana Port Commission's short history, years in which state public ports attracted $166.0 million in new private investments, created 365 family wage jobs and contributed nearly $100.0 million to the state's economy.

Burns Harbor International supports nearly 50.0% of the port system's economic impact, with Southwind Maritime Centre providing 40.0% and Clark Maritime Centre handling the remaining 10.0%.

Key Business Plan Assumptions

The Indiana Port Commission Business Plan has been developed using a number of key assumptions. The general assumptions applicable to the entire public port system are as follows:

- To remain successful in the current business environment, flexible, customer service oriented activities have become increasingly important.

- The economic boom of the 1980's is over and the state's economy is at risk, at least for the next three to five years. Revenues to the state are down and growth is forecasted to be slow in the near future for both the state and the public port system.

- The traditional role of the landlord port is disappearing in the new competitive environment. Greater direct involvement by the Port Commission in innovative economic port development and trade service activities will be necessary. As this is a relatively new area for the Indiana Port Commission, experimentation will be evident during the early period of this business plan.

- Compared to our competitors, Indiana's public port system is considered very competitive and is perceived positively in terms of service.

- Ports are likely to be totally integrated into cargo transportation systems, becoming platforms for intermodal activities.

- Increased environmental concerns will press the cleanup of hazardous or environmentally unsafe areas. Public ports are potential targets of public concern, particularly spillage areas, underground storage tanks, asbestos, etc.

- Berth and channel dredging will become more costly or environmentally restricted, as issues such as disposal of dredge materials emerge.

- The domestic warehousing business is moving toward distribution on value added service and away from simple storage. This trend includes just-in-time (JIT) delivery, logistics value added

warehousing and warehousing for inland areas shifting from source points to inland centers located on major highway networks.

Planning Philosophy

The Indiana Port Commission has adopted a planning philosophy (planning principles) based on strategic planning goals which is used to guide the analysis, formulation, and evaluation of conceptualized plans for port development. The Indiana Port Commission believes that to develop a rational, consistent plan it is necessary to clearly articulate the underlying philosophy.

The planning principles outlined below (not necessarily in order of priority) used to develop this business plan are:

- ***Maximize Utilization of Existing Facilities:*** Seek to maximize the use of existing berths and upland facilities and identify properties likely to remain in demand. Identify facilities that are not being used productively and convert to an alternative use.

- ***Prioritize High Revenue Port Activities:*** Give priority to port property land uses which can consistently generate high net revenues for the Indiana Port Commission. Such uses tend to be those that relate to higher value cargo, for example general cargo and transit shed operations.

- ***Reserve Waterfront Sites for Waterfront Activities:*** Assign waterfront properties in the port only to those activities that require waterfront locations. As a rule, activities that can be accommodated at upland sites should not be in waterfront sites.

- ***Maintain Ability to Handle Diverse Cargoes:*** Ensure the continued availability to terminal facilities to handle a variety of cargo types; maintain the availability of public berths by giving preferential use only by stevedores.

- ***Minimize Maintenance and Operating Costs:*** Seek to reduce the terminal operating and maintenance costs by indicating possible location for consolidation of like activities.

- ***Minimize Implementation Costs:*** Develop a land use plan that minimizes capital investment costs associated with construction of new and/or modification of existing facilities required for proposed

land use, and the costs associated with the disruption of ongoing activities.

- ***Locate Activities to Minimize Conflicts:*** Identify land use alternatives that will eliminate or mitigate conflicts resulting from the incompatibility of neighboring land uses.

- ***Maximize Flexibility of Use:*** Promote/promulgate adaptability of port facilities in order to follow market shifts. The land use should maximize property flexibility by placing similar activities in contiguous locations and ensuring that areas needed for future expansion are kept clear of obstructions.

- ***Enhance Water, Road and Rail Connections:*** Improve intermodal transportation links via water, railroad and highway to ensure smooth flow of cargo to and from the port complex.

- ***Induce Regional (state) Benefits --Employment/Social:*** Port activities must be considered for the benefits they afford the state in terms of the labor force they supplement, as well as the impact they have upon the regional environment. For example, the fertilizer industry provides a valuable service to the agricultural industry.

- ***Timely Expansion of Facilities:*** Formulate a development strategy to expand facilities when necessary and in relatively small increments. Port capacity should be increased slightly ahead of the demand, while minimizing the financial risk and allowing for the development program to be modified in response to changes in the market demand.

- ***Coordinate Planning With Portwide Programs:*** The scope and timing of facilities development at the three public ports should be consistent with the overall Indiana Port Commission program.

- ***Improve Port Facilities' Appearance:*** The attractiveness of the port complex was cited by a number of tenants as an important factor in attracting potential customers as well as employees. The land use plan should contribute to the port areas' aesthetics by separating transit sheds, manufacturing and administrative activities from operations such as scrap metal sorting and dry bulk operations.

Marketing Plan

The Ports of Indiana are key to water transportation in America's heartland. Strategically positioned on Lake Michigan and the Ohio River, Indiana's three public ports are continually used by Indiana industries in their increasing commerce with businesses throughout the world. International trade is extremely important to Indiana, and in turn, transport of goods is vital to Indiana's economy. Water transportation is the most efficient form of transportation. One barge can carry as much as fifteen (15) jumbo hopper train cars or fifty-eight (58) semi-tractor trailers. End results include increased fuel efficiencies and tremendous savings in repair costs on Indiana's highway system. The Indiana Port Commission is obligated to educate the Indiana manufacturing sector about the ports' industrial parks and efficient, cost-effective movement of cargo at Indiana's three modern ports.

Each of Indiana's ports gives shippers all services one would expect from a world class port, including:

- State-of-the-art handling equipment including heavy lift cranes;
- Competitive stevedoring rates;
- Ample inside and outside storage facilities;
- Access to the Inland Waterway System which reaches twenty-two (22) states and over forty percent (40%) of the Unites States population;
- Excellent highway and rail connections for total distribution.

Indiana has vigorously promoted its three (3) public ports: Indiana's International Port at Burns Harbor in Portage, Clark Maritime Centre in Jeffersonville, and Southwind Maritime Centre in Mt. Vernon.

Indiana's International Port at Burns Harbor provides access to the Great Lakes, as well as world markets via the Saint Lawrence Seaway. Today, this port receives vessels from many nations including Brazil, Canada, China, Germany, Japan, Korea, Poland, and Russia. Burns Harbor has developed a worldwide reputation as the "Steel Port" on the Great Lakes. Numerous steel related companies have located at Burns Harbor, including Beta Steel Company, Metro Metals Processing Company, S.H. Bell Company, Indiana Pickling & Processing Company, and Feralloy Processing Company. Burns Harbor has the ability to receive ocean going vessels and barges that have access to the Gulf area. In addition, this modern port has a "Ro/Ro" dock where motor vehicles can be loaded onto vessels for foreign markets.

Southwind Maritime Centre, located on the Ohio River at Mt. Vernon, is a bulk port that has attracted several varies businesses that require river transportation of commodities, such as coal. grain, timber, and dry and liquid fertilizers. Southwind continues to attract barge traffic at a record pace. The most recent innovation has been the introduction of "containers on barges" that are loaded in Brazil, South America, transported on ocean going vessels, and off-loaded to a barge at the Port of New Orleans. The barge is pushed upstream to Southwind where it is discharged and the cargo then moved by truck to an appliance manufacturer in Evansville, Indiana. This, in turn, has initiated a southbound operation for shippers in the area that can load containers on barges at Southwind for worldwide markets via the Mississippi River to New Orleans.

Clark Maritime Centre, Indiana's newest port, is becoming an important center of commerce in southeast Indiana. Clark is classified as a bulk commodity port with commodities such as grain, iron ore minerals, stone, steel, petroleum products, and fertilizers, comprising the major products moving through the facility. Clark has also found their "niche" market for heavy lifts in the automobile industry. Large presses and machinery moving on barges from New Orleans are off-loaded and placed on rail flat cars or heavy-duty trucks. Recently, a transit shed and Foreign Trade Zone warehouse were constructed on the facility. This development holds great potential for the new port complex.

The Indiana Port Commission plays a vital role in the economic well-being of the state. The steady growth of Indiana's port facilities over the last few years, showing an increase in total tonnage and private investments on Indiana's public port facilities, is indication of the reciprocal relationship between a prosperous maritime industry and regional economic enhancement. The State has challenged the Indiana Port Commission to be even more aggressive in marketing all three public port facilities. The Indiana Port Commission intends to meet that challenge.

Foreign Trade Zones

When the Indiana General Assembly created the Indiana Port Commission in 1961, a mandate for Foreign Trade Zone development was included in the legislation:

> *"Such Indiana Port Commission, or a public or private agency or corporation of the State of Indiana designated by the Indiana Port Commission, is hereby authorized to make application to the board established by the act of Congress approved June 18, 1934 . . . entitled 'an act to provide for the establishment, operation and maintenance of foreign trade zones in ports of entry of the United States to expedite and encourage foreign commerce and other purposes . . .' "*

In fulfillment of the General Assembly's charge, the Indiana Port Commission has applied for and secured Foreign Trade Zone designation for each of the three commission-administered maritime facilities, and has assisted other agencies and organizations statewide (including one Indiana-Illinois bistate authority) in the establishment of four additional zone projects. The Port Commission continues to provide technical assistance and information to communities around the state that exhibit an interest in securing Foreign Trade Zone status. Through available literature and videocassette presentations, the Port Commission maintains an aggressive public information and educational agency, and is available to provide general and industry-specific information relative to Foreign Trade Zones.

Single user, manufacturing-oriented, special purpose subzones have also been developed by other zones of the state. These projects will represent a new era in the Indiana Port Commission's Foreign Trade Zone program; currently, two (2) Port Commission sponsored subzone projects are in progress. The Port Commission's aim is to promote this program insofar as it is beneficial to the commerce, all the while insulating from potential liability.

The Indiana Port Commission has chosen to distance itself from everyday operations of the individual zone projects. As a result, the Port Commission has solicited competent zone operators to manage and maintain the actual zone locations. These operators lend themselves to handling specific commodities, most notably London Metal Exchange listed lead, tin, zinc, copper, nickel, and aluminum. Other general-purpose zone specialties include steel handling and climate-controlled general warehousing for a major manufacturer. Although the Port Commission supports its operators' desire to remain dedicated to a single business thrust, the federal Foreign Trade Zone mandate does not go unheeded. In accordance with grants of authority issued by the Foreign Trade Zones Board, the Indiana Port Commission strives to ensure that each of the zones is operated as a public utility.

Foreign Trade Zones are an integral part of the Indiana Port Commission's development program. They afford Port users many distinct advantages, and afford the State and Port Commission an additional tool in spurring job creation and economic development. Commission management is constantly seeking innovative means to render agency Foreign Trade Zone activities self-sufficient in concert with the Port Commission's mission statement and business plan.

Capital Budget Plan to Year 2005

Strategic Orientation

Approximately $600.0 million in public and private sector funds have been invested in the Indiana port system. Indiana ranked eighth nationally in state-source funding for port projects between 1977 and 1986. Remarkably, for every dollar spent by the state and the Indiana Port Commission (IPC) on public improvements to ports, over $6.93 has been spent by private firms that maintain operations at the ports. As a result of this public/private partnership, Indiana has in place a modern, high-capacity port system capable of responding to domestic and world market opportunities.

The Indiana Port Commission has developed a set of strategic objectives it plans to achieve by the year 5005. The objectives are imperative to provide growth and self-sufficiency to the port system. These strategic objectives are:

- Increase and diversity the cargo base;
- Increase market share through existing tenants;
- Complete landside infrastructure development;
- Expand port ancillary services;
- Improve inland transport linkages.

Cost Estimates To Satisfy Demand for Services: Short Term (1994-1996 Biennium) Capital Development Estimate

The Indiana Port Commission is requesting consideration for the following capital improvement projects totaling $11.0 million for the 1994-1996 Biennium. Funds requested would be used for further development of the three public ports as outlined in the Indiana Port Commission Strategic Development Plan. None of these funds would be used for operational costs.

- **Clark Maritime Centre: Construct New General Cargo Facility.** A.C.M.S. will bring over 250,000 tons of additional general cargo to the Clark Maritime Centre in 1994. The general cargo is anticipated to increase dramatically once the new terminal operator becomes fully operational. The new general cargo facility will include a covered craneway that extends over the river's edge, two (2) mooring cells, heating and insulation. The new business will bring to the port an additional 80-100 longshoremen jobs. The estimated construction cost for this project is $3.0 million.

- **Southwind Maritime Centre: General Cargo Warehouse and Transit Shed.** Southwind had forecasted requirements for this facility to meet future growth requirements of general cargoes. This transit shed also has overhead crane capabilities to handle heavy lift cargoes such as steel. The estimated construction cost for this project is $850,000.

- **Burns International Harbor: Vessel Service and Fabrication Center.** Indiana's International Port needs to significantly upgrade its services to tugs/barges to maintain vessel assistance year round. The new addition will also enable the port to develop a year round maintenance repair facility for water craft. An out-of-state tug boat operator has already committed to providing year round service if this facility is developed. This facility will result in 10 new jobs. The estimated construction cost for this project is $2.0 million.

- **Burns International Harbor: Public Transit Shed and Foreign Trade Zone Warehouse.** Annual cargo throughput at the International Port at Burns Harbor will increase by 750,000 tons over the next ten years. Much of this increase will come from movements of general cargoes such as steel. Proper handling of these cargoes will require additional under-roof storage capacity. Private terminal operators have pledged to invest nearly $2.0 million in new cargo handling equipment for this facility. If built, 25 to 35 new longshoremen jobs would be created by this expansion. The estimated construction cost for this project is $3.0 million.

  Approximately one-third of this building will be licensed as warehouse space for Foreign-Trade Zone operations. The Indiana Port Commission is experiencing significant interest in utilization of the Foreign-Trade Zone license obtained for Burns Harbor. This activity would generate additional employment of up to 20 warehousemen and managers.

  Currently, Burns Harbor administration activities take place in a small, concrete block structure built as temporary office space in 1965. This building was actually designed as a maintenance garage. The present structure is not only entirely inadequate as an office, but is located on a site that should be put to use as a high-revenue industrial property. The new structure will be located near the main entrance to the port, thereby reducing traffic on interior roads and enhancing the

appearance of the port entrance. Sufficient floor space in the new structure will be leased to private forms so that project costs will be recouped over the long-term.

- **Clark Maritime Centre: Expansion of Main Port Road.** Clark Maritime Centre needs to increase capacity of the main road. Since construction of the I-265 bypass, this facility has shown significant growth potential. The new road capacity is in anticipation of future expansion. The estimated construction cost for this project is $250,000.

- **Clark Maritime Centre: Utility Development.** Port properties north of Utica Pike require installation of utility extensions in advance of development for industrial use. Negotiations are underway with several firms for lease of these sites. Bringing utilities to this area is critical to their development. The estimated construction cost for this project is $310,000.

- **Clark Maritime Centre: Rail development.** Clark Maritime Centre is rapidly developing as an intermodal center because of its proximity to rail and water connection, and its central location as a distribution point. CSX Transportation has committed to use the port with unit trains of bulk commodities largely from Indiana producers. This necessitates the construction of a passing track to accommodate this purpose. It is anticipated that with this capability, an additional 2.0 million toms of cargo will be generated in 1995. This will result in the creation of 60 new jobs. The estimated construction cost for this project is $490,000.

- **Southwind Maritime Centre: Harbor Modification.** The U.S. Corps of Engineers did a reconnaissance study of siltation occurring in the harbor of Southwind Maritime Centre. Results of that study have persuaded the Indiana Port Commission that it is in the best interests to downsize the harbor so that MacFadden Creek can keep the harbor channel flushed out. Additional engineering requirements are included in the estimated project cost of $250,000.

- **Clark Maritime Centre: Harbor Hydro Project.** The U.S. Corps of Engineers has completed its reconnaissance study of siltation at the Clark Maritime Centre. The Indiana Port Commission has decided that the best way to handle the situation is refluidization. The estimated construction cost for this project is $450,000.

- **Southwind Maritime Centre: Utility Development.** The Indiana Port Commission presently owns approximately 120 acres of prime marine related industrial property requiring utility installation. There are presently four firms interested in locating plants on these properties. It is anticipated that these properties could create approximately 160 jobs if infrastructure is put in place. The estimated construction cost for this project is $300,000.

- **Southwind Maritime Centre: Bulk Storage Warehouse.** Southwind's bulk operations have continued to increase, even in recessionary times. This bulk storage warehouse would allow additional Indiana-based cargo to pass through the port facility and provide a cost-effective facility for Indiana's agricultural community. The estimated construction cost for this project is $500,000.

- **Southwind Maritime Centre: Rail Development.** Indiana coal producers are planning significant movements of unit trains of low sulfur coal to Southwind Maritime Centre for blending. MAPCO Coal Company has just completed a $25.0 million investment in a state-of-the-art coal processing facility to move Indiana coal to domestic and foreign markets. With passage of federal Clean Air Act legislation, the Indiana Port Commission must develop a capacity for coal blending at Southwind to serve coal producers and commercial users. These rail improvements will allow the Indiana Port Commission to handle three (3) unit trains at any given time. The estimated construction cost for this project is $500,000.

Cost Estimates To Satisfy Demand for Services:
Medium Term (1997-2000 Years) Capital Development Estimate

All port estimates are consolidated into one total Port Commission capital investment requirement for each of the medium term capital development items outlined below in **Table 1**.

Table 1
Indiana Port Commission
Medium Term (1997-2000 Years) Capital Development Estimate

Capital Development Items	Estimated Development Cost
Dock Structure	$ 7,150,000
Open Storage Development	9,350,000
Port Access Improvements (Highway)	5,575,000
Port Access Improvements (Rail)	1,609,000
Mooring Cells	1,600,000
Channel Stabilization	600,000
Utilities	2,702,000
Facility Rehabilitation	1,485,000
Corps of Engineers Projects	20,300,000
Total Development Cost	**$50,371,000**
Contingencies	**5,037,100**
Total Capital Investment	**$55,408,100**

Source: Indiana Port Commission, 1994.

Cost Estimates To Satisfy Demand for Services: Long Term (2001-2005 Years) Capital Development Estimate

As noted above, all port estimates are consolidated into one total Port Commission capital investment requirement for each of the long term capital development items outlined below in **Table 2**.

Table 2
Indiana Port Commission
Long Term (2001-2005 Years) Capital Development Estimate

Capital Development Items	Estimated Development Cost
Dock Structure	$ 11,000,000
Open Storage Development	400,000
Port Access Improvements (Highway)	1,584,000
Port Access Improvements (Rail)	303,000
Mooring Cells	1,200,000
Channel Stabilization	500,000
Utilities	680,000
New Construction	12,000,000
Corps of Engineers Projects	1,000,000
Total	**$28,667,000**
Contingencies	**2,866,700**
Total Capital Investment	**$31,533,700**

Source: Indiana Port Commission, 1994.

Burns Harbor 1994-1996 Business Plan

Introduction

The Great Lakes extend 2,300 miles from Lake Superior to the Atlantic Ocean and contain over 95,000 square miles of surface water. Together, the five Great Lakes have acted as a gateway for shipping and trade for over 300 years. With the opening of the St. Lawrence Seaway in 1959, deep draft vessels were capable of navigating the entire length of the Great Lakes system to the Atlantic Ocean. This enabled international shipping from the northern part of Indiana to become a reality.

Indiana's International Port at Burns Harbor, located in Portage, just 30 minutes east of Chicago, Illinois is the focal point for the State's international trade. The facility consists of a shoreline tract of approximately 550 land acres and 225 water acres, protected by a 4,600 foot breakwater. Burns Harbor was specifically designed for St. Lawrence Seaway traffic on the Great Lakes and offers year round access to the Inland Waterway System. The Port opened in 1970 and was built for safe and easy navigation, which includes a turnaround for deep-draft vessels.

Physically, the Port is shaped as an inverted "U" with the peninsula flanked by a West and East Harbor Arm. The horizontal member has 600 lineal feet of vessel berthing space dedicated to grain handling. The West Harbor Arm is 4,000 feet long and 820 feet wide, with a specially designed "Ro/Ro" berth. Adjacent to the West Harbor Arm is 1,500 lineal feet of vessel berthing used primarily in the fleeting of barges. The East Harbor Arm is 1,800 feet long and also 820 feet wide.

Burns Harbor Goals, Objectives and Actions

The 1994-1996 goals for Burns International Harbor developed by the Indiana Port Commission are identified in **Table 3**. The goals for this facility are:

- Increase and diversify the port's cargo base;
- Complete the port's landside development;
- Expand the port's ancillary services, and;
- Improve the port's inland transport linkages.

Specific objectives and actions associated with each of these goals are also identified in **Table 3**.

Table 3

Burns International Harbor Goals, Objectives and Action Steps

Goal	Objectives	Actions
Increase and diversify the cargo base of Burns International Harbor.	Create a study designed to establish the feasibility of developing a state-of-the-art bulk materials handling facility.	• Publish a Request for Proposal for conducting said study and contract with a vendor in 1994. • If the project is feasible, move forward with public/private financing and design in 1995, and begin construction.
	Attract steel cargoes.	• Continue to market steel handling capabilities of the Burns International Harbor. • Target end users of import steel products to declare Burns Harbor their port of call.
	Expand trade with Canada and Mexico.	• Explore other regions in light of the North American Free Trade Agreement (NAFTA).
	Expand trade relations with Russia.	• Contact Russian shipping agents and trade representatives to discuss trade opportunities.
	Expand trade relations with the European Economic Community and newly formed independent countries from the Warsaw Pact.	• Contact the countries' shipping and trade representatives to discuss potential opportunities.
	Attract heavy lift/project cargo.	• Continue to market the specialty handling capabilities of the Burns Harbor International Port. • Target industries requiring heavy lift/project cargoes to declare Burns Harbor the Port of Preference.
	Increase Foreign Trade Zone #152 activities.	• Market for London Metal Exchange users. • Market for other potential commodities.

Source: Indiana Port Commission, 1994.

Table 3 (Continued)

Burns International Harbor Goals, Objectives and Action Steps

Goal	Objectives	Actions
Complete landside development at Burns International Harbor.	Design and construct port administration building.	• Secure commercial tenants to offset construction and maintenance costs. • Locate site and build.
	Establish Burns Harbor as the nation's premier steel service center.	• Attract value-added processing operations to the port.
	Reconstruction of the breakwater.	• Work with the U.S. Army Corps of Engineers on design. • Lobby elected officials for support of new breakwater.
	Design and construct a Small Boat Harbor.	• Secure an Economic Development Administration infrastructure grant. • Secure a tugboat company to commit to provide year-round service.
	Increase transit shed space.	• Assess current and future needs. • Secure financing and operating agreements.
Expand the port ancillary services at Burns International Harbor.	Develop a medium-sized shipyard/drydock to serve Coast Guard, military and private lake fleet.	• Conduct marketing and feasibility analysis. • Conclude lease agreement with National Steel. • Secure a 1,000 to 2,000 ton drydock. • Secure a private firm with shipyard development experience.
Improve inland transport linkages at Burns International Harbor.	Build a second overpass into the Port.	• Search for potential public financing. • Perform design and engineering of rail overpass.

Source: Indiana Port Commission, 1994.

Burns Harbor External Operating Environment

The hinterland serving Burns Harbor is mostly north and central Indiana, south and southwest Michigan, and the northeastern part of Illinois. Access to the Port from these areas is facilitated by one of the most dense and elaborate highway networks in the United States, with three major interstate routes (I-65, I-80/90, and I-94) located within a few miles of the Port. Gary, Indiana is located about 15 miles west of the Port, with Chicago about 45 miles west. There are a number of other metropolitan level cities within 100 miles of the Port site.

The economy of Lake and Porter Counties, and adjacent areas, is based on primary industry (petroleum refining and steel) as well as heavy and light industry that are linked to the primary base. The service region, however, is more complex than this, in that it is located in the heart of some of the best agricultural land in the United States. Consequently, agricultural crops and related products are produced in the region along with a wide variety of light to medium level manufacturing enterprises. Cargo currently moving through the Port is heavily dominated by the heavy industrial and agricultural character of the region.

The Great Lakes region, particularly the highly industrialized areas within it, have been profoundly affected by changes in the national and international economy over the past thirty years. A geographic redistribution of manufacturing facilities has occurred, resulting in a dramatic loss of jobs in the industrial belt over the past decade. Over the same period, large manufacturers have wither closed inefficient facilities or reduced plant sizes and introduced automated production processes, leading to further employment declines. During the first five years of the 1980's, over 500,000 manufacturing jobs were lost in the East-North Central region of the country.

In recent years, production improvements, at the expense of employment, in the American steel industry have made Indiana-produced steel competitive on the world market. The years 1989 through 1991 showed a resurgence in the export of finished steel products, much of which moved through the Great lakes/St. Lawrence Seaway System via Burns Harbor. However, 1992 showed a decline. This is attributed to the Eastern European producers dumping onto the international market while simultaneously the world recession drastically reduced demands. Predictably, this trend will remain for the next two years. As for imported finished steel, industry analysts believe that foreign steel producers will reduce shipments fearing that in absence of a definitive steel agreement, attempts to penetrate the U.S. market will be met with litigation to limit its flow. Nonetheless, there is projected a considerable importing of foreign-produced steel slabs. Foreign slabs are exempt from most trade agreement quotas. Burns Harbor is ideally positioned to benefit from this cargo.

United States Great Lakes coal exports and trans-lake movements are handled primarily at Superior, Wisconsin and at Ohio ports on lake Erie. European consumption of steam and metallurgical coal is forecasted to rise into the 21st Century. Low sulfur content coal from the Powder River basin in Montana and Wyoming will likely be in greater demand than the high sulfur Appalachian and Illinois Basin coal. A majority of the United States export coal is loaded out of terminals in Mobile, Norfolk and Baltimore. By virtue of its centralized location in both the Illinois and Powder River Basins, Burns Harbor is again in good position to compete for a segment of the export coal market in the 1990's. Capital investments will be required to exploit this opportunity. Shipments of other carbon products from and to Burns Harbor should remain strong through the period.

Of significance is Burns Harbor's location, with the enactment of the North American Free Trade Agreement (NAFTA). The link between the Great Lakes and the Inland Waterway System provides an ideal setting for trans-shipment of cargoes from the U.S. and their partners in this agreement. Securing additional rail services will continue as a high priority effort for the next few years. Cargo preference, reflagging, lock tools, season extension and pilotage are still hot issues on the Lakes. Suffice it to say these exogenous influences on Port operations will continue to be addressed by the Great Lakes Maritime industry.

Burns Harbor Internal Operating Environment

The staffing patterns at Burns Harbor have remained unchanged for several years except for the recent addition of a marketing representative. No significant deficiencies have been identified in the existing staffing pattern. Growth at the Port in the next decade may require hiring additional staff.

The Port Administration Office building is located on property for which a much higher economic return could be realized by conversion to industrial use.

Since Burns Harbor supports nearly twenty (20) tenants, it is not feasible to list and describe each of the tenant operations. However, some of the major operators at Burns International Harbor include:

- **Access International** is a division of the Indiana Port Commission with responsibility of conducting a freight consolidation program. Access International will solicit and enter in to agreements with shippers to manage their international transportation affairs; provide alternative modes of handling and transporting cargo; negotiate and contract with multiple carriers, and; control all scheduling, coordinating, bookings, payments and invoicing.

- **Beta Steel Corporation** operates a facility for production of hot-rolled, narrow-gauge steel coils. In 1992, Beta built a $100.0 million facility on part of their 43.6 leased acres. Beta has recently began phase II construction and has options on an additional 41 acres to further increase capacity of their operations. Beta has a 250,000 gross tonnage per year.

- **Cargill, Inc.**, operates a 5.0 million bushel facility complete with state-of-the-art computerized pneumatic loading technology. They lease 16.1 acres of waterfront property.

- **Frick Services, Inc.**, operates a 276,000 square foot storage, processing and distribution facility for dry and liquid fertilizer. This facility has a 150,000 ton storage capability and occupies 14.9 acres of Port property. Frick has a 100,000 ton minimum guarantee for each calendar year.

- **J.M. Huber Corporation** operates a limestone processing facility. They process limestone and distribute to Great Lake's utilities for use in gas desulfurization enabling generators to be in compliance with the Clean Air Act legislation.

- **Indiana Picking and Processing Company** operates a steel processing facility on 10 acres of Port property.

- **Feralloy Processing Company** operates a steel processing facility on 5.5 acres of Port property.

- **Jack Gray Transport, Inc.**, (also Lakes and Rivers Transfer Corporation) is the exclusive terminal operator for Burns Harbor. This corporation operates the intermodal maritime terminal and warehouse for the handling of general and bulk cargoes. They provide the customary stevedoring and warehouseman's services related to movement of cargoes. Jack Gray operates on about 23 acres of Port Property.

- **Levy Company** is a processor and distributor of construction aggregate materials, and operates on 16 acres of Port property.

- **Metro Metals Processing, Inc.**, operates a storage, processing and distribution facility for steel and steel products. They also handle the transportation of steel products incidental to their operation. This plant uses approximately 10.7 acres of Port property.

- **Mid-Continent Coal and Coke Company** operates a coke screening and processing facility where they receive, grade, process and distribute foundry coke. Mid-Continent operates on about 13.7 acres of Port property.

- **North American Salt Company** operates a storage, processing and distribution facility for salt and the transportation of material necessary and incidental to this activity. They lease a 2.04 acre salt pad and retention pond. No environmental problems have occurred.

- **S.H. Bell Company** operates Foreign Trade Zone #152. The Foreign Trade Zone is temporarily located in a 50,000 foot transit shed until completion of a permanent facility in 1994. Foreign Trade Zone #152 is also a London Metal Exchange approved warehouse.

- **Tanco Terminals, Inc.**, is a supplier of liquid fertilizer, petroleum products, chemicals, fats and oils. They operate a full service tank farm for liquid bulk transfer and storage. Tanco occupies about 5.6 acres of Port property.

In addition to 500 acres of Port-owned property, the Indiana Port Commission has also leased ten acres of property from Midwest Steel. This area has been leased for the operation of a facility to moor service vessels, and to provide barge fleeting. The area can also be used to load and unload vessels.

Burns Harbor Marketing Assessment

A competitive analysis of Burns Harbor must be made on two levels: competition among lower Great Lakes Ports, and from alternative modes of transport serving the same markets. Burns competes directly with the Ports of Chicago, Milwaukee, and Toledo. Burns and all Great Lakes/St. Lawrence Seaway ports compete with rail and truck lines and intermodal land-bridge type services.

The Port of Chicago and Burns Harbor International, separated by less than 20 miles, essentially compete for the same market. Burns' primary advantages over the Port of Chicago are: (1) less congestion; (2) quicker access to Interstate highways, higher labor productivity; newer facilities; shorter harbor entry; easier navigation, and; several less tangible factors, including a perception by some that the business climate in Indiana is better. Chicago has superior rail connections and quicker access to Chicago inner-city businesses. The Port of Chicago's terminals, located at Iroquois land and on Lake Calumet, are directly connected

to the Illinois Waterway. This is an advantage over Burns in the race for barge traffic. Another clear advantage enjoyed by the Port of Chicago is a more established presence within the international maritime and shipping community.

Toledo, by virtue of geography, captures much of the Seaway traffic in and out of Northeastern Indiana. There is no way to offset Toledo's six hundred mile advantage. Burns, however, should handle all of Indiana's waterborne traffic destined for, or originating in Canada, with the exception of Southern Ontario.

Milwaukee is a lesser threat to Burns on outbound Indiana cargoes due to the difficulty in routing cargoes through or around Chicago. Milwaukee does compete with Burns for inbound traffic destined for points further west or south.

Although rail and truck rates are higher, these modes are stiff competition for bulk and neo-bulk cargoes moving to and from the south and east United States. Higher rail rates are offset by the timesaving and regularity offered by the linehaul carriers. For example, in direct response to a surge in steel exports via the Seaway in 1989, Conrail initiated dedicated weekly service from the major steel mills in Northwest Indiana to Eastern Seaboard Ports. Concerning containerized cargo, prevailing economies rule out domestic and international container service on the Great Lakes.

Given market and logistic realities, Burns Harbor must develop a niche market or targeted marketing approach if it is to continue its maritime and industrial growth. Targeted marketing is specific in scope since it addresses individual cargo transportation opportunities with the goal of creating ongoing relations with shipper, receivers, and carriers. The program implementation is based on understanding Burns Harbor's market and identifying the customer base. Additionally, the Indiana Port Commission is researching the feasibility of establishing a freight consolidation service. In this endeavor, the Indiana Port Commission has retained the services of a transportation consultant and is in the process of doing an extensive survey on importers and exporters.

Burns Harbor has identified steel, project cargoes, heavy lifts, and bulk commodities used in the steel making process as targets for their marketing efforts. To reinforce this effort, Burns Harbor has introduced two campaigns marketed as "Steelsource" and "Steel Consolidation". This type of marketing approach does not, however, preclude Burns' aggressively seeking what is called "cargoes of opportunity"--those isolated shipments of commodities not handled at Burns Harbor on an ongoing basis.

The recent activation of Foreign Trade Zone #152 at Burns Harbor holds significant potential for stimulating international trade, business and commerce. Upon activation in 1992, Foreign Trade Zone #152 was listed as a London Metal Exchange (LME) approved warehouse. LME, the commodity exchange for non-ferrous metals, supplied the first cargoes. The Port marketing personnel, in conjunction with the Foreign Trade Zone operator, S.H. Bell Company, are jointly seeking other users. The initial marketing efforts are dedicated at the international metal traders.

Burns Harbor Projected Waterborne Traffic Trends

Projected forecasts for waterborne cargoes at Burns Harbor are not available at this time.

Burns Harbor Port Summary

Burns Harbor is a highly productive port that has aggressively pursued the steel industry. This has paid of in investment dividends. In the past three (3) years, Burns Harbor was able to develop over $117.0 million in private investment in the Port's infrastructure that resulted in over 350 additional family-wage jobs having been added to the existing Port operations profile.

Burns Harbor is Indiana's only public port that had direct international vessel calling. Through the marketing efforts of the Port and the Port Commission, Burns Harbor is now well recognized throughout the world for its excellent stevedoring productivity and investment potential. The Port does, however, face stiff competition from neighboring ports and East Coast Ports via their intermodal connections.

Clark Maritime Centre 1994-1996 Business Plan

Introduction

Historically, river terminals have been built by private users at scattered locations along the riverfront. Today, however, economic and environmental conditions favor development of multi-user riverports, contiguous with industrial sites and under jurisdiction of public port authorities.

Clark Maritime Centre, with 3,200 lineal feet of river frontage and 830 acres of upland property, is the newest port on the Ohio River and is located at mile marker 597 directly across the river from Louisville, Kentucky. The Port was constructed in the early 1980's and became operational in 1985 when the grain

dock and general cargo dock initiated operations. Eagle Steel dock began its operations in January 1988.

Clark is accessible from all directions via Indiana State Road 62 and the I-265 Bypass to Interstate 64, 65, and 71. The port is within one day's travel time or less to all major Midwest cities. Conrail, CP-Soo and CSX Transportation railroads serve the port providing competitive rail access.

Clark Maritime Centre Goals, Objectives and Actions

The 1994-1996 goals for the Clark Maritime Centre developed by the Indiana Port Commission are identified in **Table 4**. The goals for this facility are:

- Increase and diversify the port's cargo base, and;
- Complete the port's landside development.

Specific objectives and actions associated with each of these goals are also identified in **Table 4**.

Clark Maritime Centre External Operating Environment

The economy of Clark County, adjacent counties in Indiana and Kentucky, has been traditionally based on agriculture (primarily grain farming) and some light manufacturing connected with the Louisville metropolitan area. Cargo currently moving through the port is heavily dominated by the agricultural character of the region, which is mostly grain, fertilizer and other agricultural related products. A modest portion of the cargoes are related to manufacturing activity (e.g., iron, steel, and Project cargoes) located in central and north central parts of Indiana.

Tonnage on the Ohio River main stream and tributaries has grown steadily over the past fifty years, increasing by nearly 10.0 million tons per decade. Over 200.0 million tons of freight were moved on the Ohio River in 1989. The Army Corps of Engineers projects Ohio River Basin tonnage will easily exceed 250.0 million tons by the year 2000. Shipments of coal and coke account for about 60% of total river tonnage, aggregates account for about 12%, petroleum 6%, chemicals 5.5%, grains, 4.6%, iron and steel 2.6% and miscellaneous cargoes 8.3%.

Coal movements will continue to increase this decade with a rise in world and domestic energy demand. Long term demand for Appalachian and Illinois basin coal is largely dependent on the success of "clean coal" technologies and government energy policies. The trend in petroleum products has been flat and is not expected to show significant increase. Movements of chemicals, particularly in and out of the Louisville port range have a good growth potential.

Table 4

Clark Maritime Centre Goals, Objectives and Action Steps

Goal	Objectives	Actions
Increase and diversify the cargo base of the Clark Maritime Centre.	Market Port to shippers of aggregates.	• Identify and solicit shippers and carriers of aggregates, such as, gypsum, rock and limestone.
	Market Port to landscaping and lumber shippers.	• Solicit lumber shippers, particularly those in landscaping supplies.
	Explore feasibility of establishing newsprint warehouse.	• Negotiate with current suppliers to area.
	Market Port to shippers of non-ferrous alloys.	• Assess current and future market for specialty shavings. • Solicit shippers if market looks good.
	Increase metals and steel shipments.	• Assist Eagle Steel in gaining new customers. • Pursue other metals, such as scrap.
	Foreign Trade Zone	• Solicit interest in zone use and operation. • Solicit interest in London Metal Exchange use.
Complete landside development at the Clark Maritime Centre.	Complete Port infrastructure.	• Secure funds for rail extension, utility completion, and public transit shed.
	Solicit Louisville waterfront firms.	• Identify and make contact with firms in Louisville which may relocate. • Determine needs of those firms identified above.
	Consolidate market dollars and activities.	• Work closely with Economic Development Agencies, the Indiana Department of Commerce, and PSI Energy as partners in development.

Source: Indiana Port Commission, 1994.

Aggregates will remain a manor cargo on a percentage basis and are another good growth cargo for Clark. Movements of metals will increase due to the emergence of the mini-mill and decentralization of steel production in general. More recycling and less landfill capacity will trigger more barging of solid waste to alternative dump sites and recycling plants.

Clark's location puts it within same-day distribution of a number of automobile assembly and durable goods manufacturing plants. Jeffersonville, the largest city in Clark County, is an attractive city because it offers the quality of life of a small community within a metropolitan area. Jeffersonville has added a waste treatment plant to handle 15.3 mgd. The Indiana Port Commission also recently connected with Indiana Cities Water Company with a pumping capacity of 11.0 million gallons per day and a culvert daily use of 8.4 mgd. In general, trends in cargo distribution and industrial site location bond well for growth at Clark.

Clark Maritime Centre Internal Operating Environment

The staffing pattern at Clark has not changed in several years, except that the Port Director no longer splits his duties between Clark and Southwind. No significant deficiencies have been identified in existing staffing patterns. If significant growth at the port takes place in the next decade, as is likely, additional staff may be required. The Indiana Port Commission has traditionally retained services of specialized consultants to assist with legal, technical and other specialized functions. This practice has probably been cost-effective as it has forestalled hiring additional staff as port operations have grown more complex.

Success in attracting industry to the Port will hinge on infrastructure capacity and port services. Newcomers to the port include Apollo America Corporation, ACBL Terminal Operator, Overland Transportation Company, Environmental Equipment Corporation and Voss Clark Corporation, all of which are in various states of development. Clark possesses excellent dock and waterside facilities, although landside development of the port is not complete. Additional utility lines, storm drainage, rail tracks and roads still need to be installed.

Two of the major operators at the Clark Maritime Centre include:

- **Consolidated grain and Barge Company, Inc.**, which operates a 670,000 bushel capacity grain elevator capable of loading and unloading at a rate of 30,000 bushels per hour. Consolidated provides handling, storage and transfer services for a wide range of agricultural and bulk commodities. Initial indications are that the takeover of the Merchants Grain Dock by Consolidated during 1990 significantly affected growth of traffic at CMC. Historically, aggregate tonnages have been only

minor; however, this may be changing as over 250,000 tones have already been contracted for movement through CMC during 1991. Although grain tonnage appeared stabilized (403,000 tons in 1989 and 1990), grain contracts for 1991 reveal an increase of over 600,000 tons. Both chemical, fertilizer, ores and minerals have grown steadily throughout the 1986-1990 period, and appear to be good prospects through the mid-1990's.

- **Eagle Steel Products, Inc.,** is a state-of-the art steel processing operation. Eagle's facility includes a 44,000 square foot warehouse and direct barge access via a 30 ton covered bridge and craneway. Iron and steel are the only commodities moved at this dock. The dock normally uses an overhead craneway to handle bulky steel materials. Traffic at Eagle Steel remained steady during 1988 and 1989, at 12,941 and 12,626 tons, respectively. It appears traffic declined sharply during 1990 to 9,367 tons. However, a more detailed review of records indicate Eagle Steel only moved traffic by water during the last six months of 1990.

Additional opportunities will be available to the general cargo operator with recent approval by the Foreign Trade Zones Board of Grant No. 170 to the Indiana Port Commission at Clark Maritime Centre. The 35 acres surrounding the transit shed, including the transit shed, are within the designated area.

Clark Maritime Centre Marketing Assessment

Cargo activity at Clark has increased markedly over the past several years with bulk cargoes showing the largest gains. The marketing scope for the Port is extensive and entails local, regional and international segments. For the purpose of this study, an example of the Indiana market segment is surveyed. Indiana consists of 92 counties, approximately 9,572 manufacturing establishments and a population of approximately 5.5 million people. Clark Maritime Centre can effectively service 35% of all counties in Indiana, 37% of the population and 22% of the manufacturing facilities.

Products that have the greatest success are agricultural in nature. Other products are industrial based. The products are bulky in nature and require the least expensive form of transportation and the lowest handling costs. There has been moderate success in project cargoes and steel products.

The general trend appears to be changing toward industrial based commodities. This is evidenced by the advent of recycling and the trend to utilize

our natural resources more wisely and economically. Scrap steel is already a major commodity in the Louisville area. Clark has begun to receive some of the scrap shipments and is looking seriously at ground glass, tires and other recyclable materials. Other commodities that offer potential for large volume shipments through the Clark Maritime Centre are wood products, cement, clay, fabricated metals, chemicals, paving materials, petroleum, and coal.

Clark Maritime Centre will continue its efforts to assist the general cargo terminal operator to market services at the facility. Joint marketing trips and joint advertising are methods of sharing information. A videocassette presentation of the Clark Maritime Centre facilities is available and has been translated into Japanese.

Competitive analysis of the Clark Maritime Centre must be made on two levels: (1) competition among regional river ports, and (2) from alternative modes of transport serving the same markets. Clark directly competes with Jefferson County Riverport, the Port of Louisville, River Road terminals, and Riverway Terminals. Clark and all inland waterway ports compete with rail and truck lines, and intermodal land bridge type services.

The Port of Louisville, will not likely be in business after their lease expires. In fact, there have been discussions that Louisville will force relocation of all downtown cargo terminals. Jefferson County Riverport and Clark are both in a good position to attract these cargo relocations. The Jefferson County Port is disadvantaged by fluctuations in the river level that precludes dockside development, and the Port lacks good Interstate highway connections. The Port has only one dock which is used primarily for rail to water coal transfers. Manufacturing or distribution firms moving cargo by water will not find this facility as attractive as Clark. The Jefferson County Port does not sell property and has much of its infrastructure in place.

River Road and Riverway Terminals in Louisville primarily handle salt and dry fertilizers. These facilities are more established on the river, and until the I-265 extension is completed, will enjoy a better Interstate highway access than Clark. Riverway also offers good heavy lift cranes with well established engineering qualities.

Although rail and truck rates are generally higher than water transport, these modes are stiff competition for bulk and non-bulk cargoes moving into and out of the South and Eastern United States. Higher rail rates are offset by time savings and the regularity of line haul carriers. Continued horizontal integration of

transport modes (i.e., CSXT/ACBL), however, may lead to more barging over the long hauls.

Clark Maritime Centre Projected Waterborne Traffic Trends

The Corps of Engineers Navigation Planning Center waterborne traffic forecast for the Louisville BEA (Bureau of Economic Analysis Area) is shown in **Table 5** and **Table 6**. The Corps of Engineers used 1986 as a base year for this forecast. **Table 5** dramatically illustrates that coal and coke, petroleum fuels, chemicals and aggregates are going to be dominate tonnages of the future.

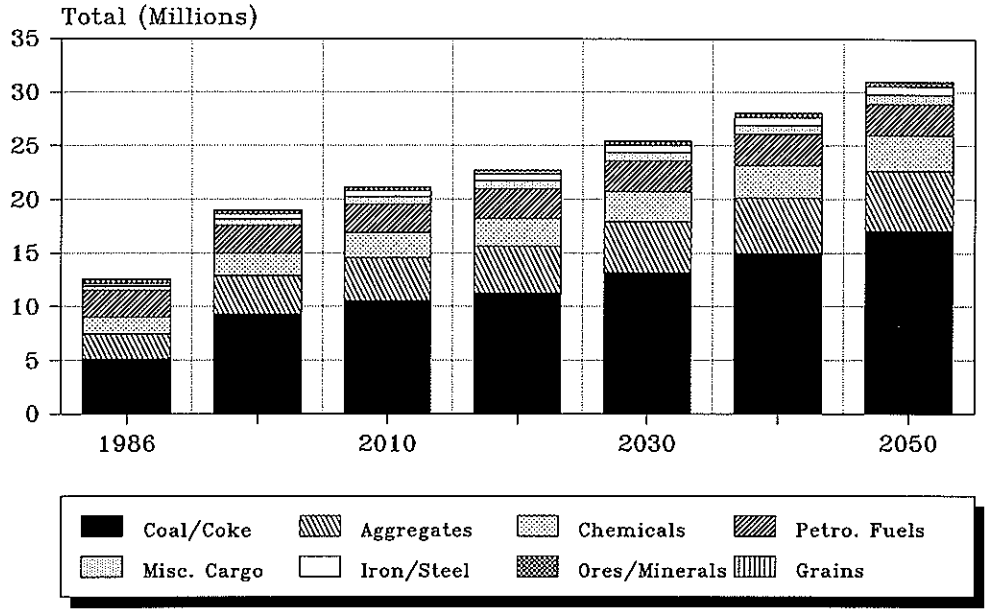
As indicated earlier, the Clark Maritime Centre is still in its infancy period. Total waterborne traffic at Clark in 1990 (703,782 tons) has grown by 18% over its first full year of operation in 1986 (594,821 tons). Over the 1986-1990 period, Clark's traffic fluctuated from its maximum of 736,616 tons in 1987, where miscellaneous tonnage was unusually high, to its minimum of 489,671 tons in 1988. Since 1988, traffic has rebounded sharply to current levels.

Projected traffic (1995-2045) for the Clark Maritime Centre was derived from a detailed analysis of Clark's traffic data base from the period 1986-1990. A number of other variables were also included that would likely affect traffic flow to the Louisville BEA. The data included commodity specific information for both inbound and outbound traffic. A modified 1990 base selected for the Clark Maritime Centre traffic forecast used 1990 tonnages for grain, chemical, fertilizer, ores and minerals. Average 1986-1990 tonnages were used for aggregates, iron, steel, and miscellaneous commodity groups. Historical trends for these commodity groups showed wide variations that would not be accurately reflected by 1990 tonnages.

Inbound tonnage forecasts for the Clark Maritime Centre shown in **Table 7** and outbound tonnage forecasts shown in **Table 8** were developed from direct application of the 1990 base tonnage. The total tonnage forecast at the Clark Maritime Centre is shown in **Table 9**.

Figure 1

Louisville BEA Inbound Tonnage



Source: INDOT, Planning Division, 1994.

Table 5

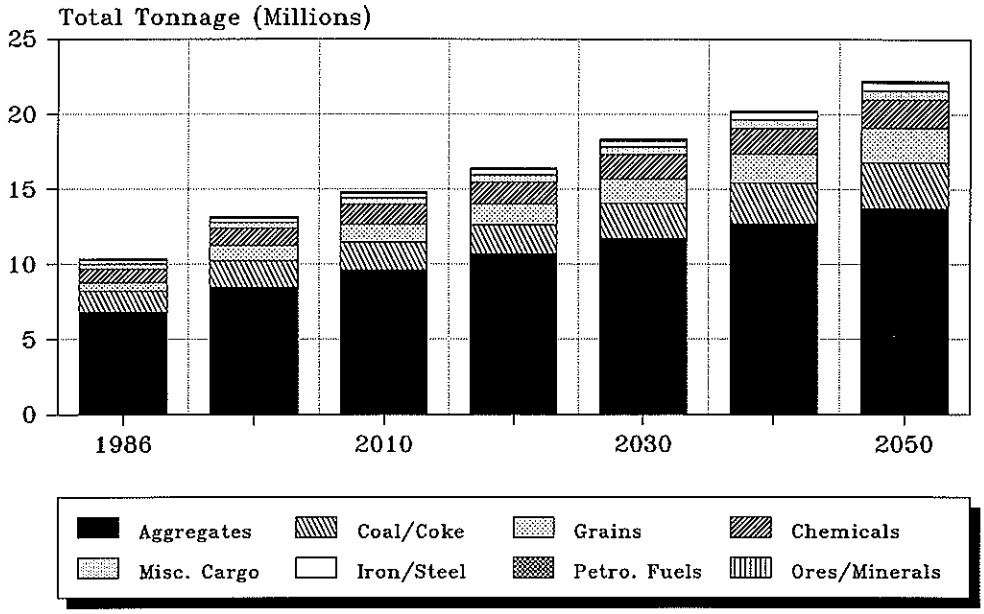
Louisville Bureau of Economic Forecasts:
Inbound Tonnage

Commodity	1986	2000	2010	2020	2030	2040	2050
Grains	25,396	17,279	17,647	18,027	18,411	18,801	19,213
Ores & Minerals	343,551	354,381	367,617	379,467	388,186	396,905	405,628
Iron & Steel	260,396	485,729	551,253	609,006	664,452	719,892	775,334
Miscellaneous	408,589	596,428	664,375	722,904	780,800	838,699	896,594
Petroleum Fuels	2,513,147	2,587,773	2,682,442	2,767,010	2,828,529	2,890,050	2,951,573
Chemicals	1,565,048	2,085,241	2,329,868	2,571,882	2,812,352	3,056,135	3,303,516
Aggregates	2,353,281	3,564,676	3,979,209	4,337,626	4,748,639	5,169,341	5,599,457
Coal & Coke	5,088,265	9,297,002	10,544,829	11,294,524	13,160,270	14,956,293	17,039,590
Total	**12,557,673**	**18,988,509**	**21,137,240**	**22,700,446**	**25,401,639**	**28,046,116**	**30,990,905**

Source: U.S. Army Corps of Engineers, 1990.

Figure 2

Louisville BEA Outbound Tonnage



Source: INDOT, Planning Division, 1994.

Table 6

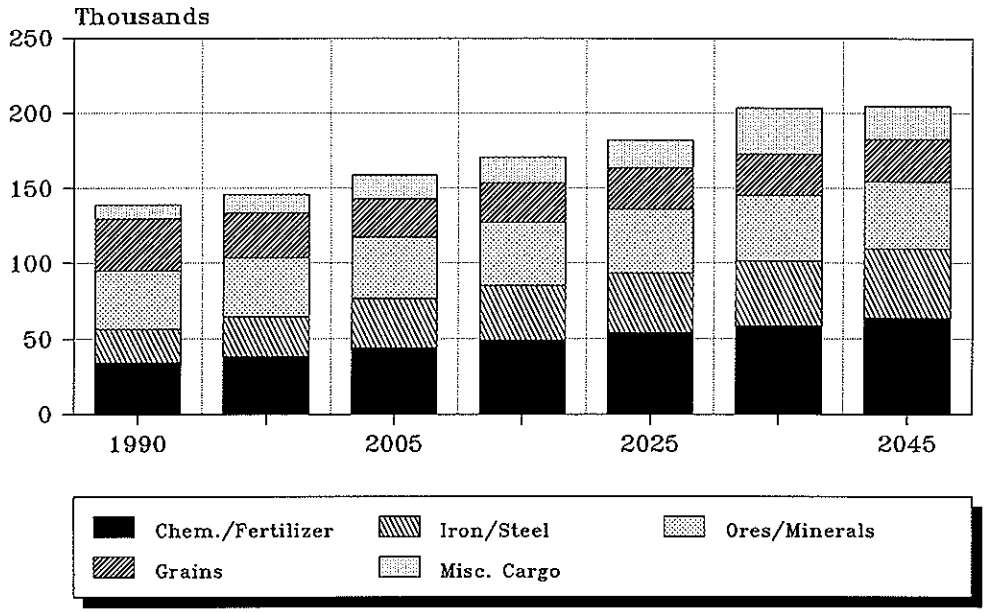
Louisville Bureau of Economic Forecasts:
Outbound Tonnage

Commodity	1986	2000	2010	2020	2030	2040	2050
Ores & Minerals	2,884	3,407	3,659	3,877	4,107	4,337	4,567
Petroleum Fuels	94,982	99,623	102,885	105,743	107,663	109,583	111,503
Iron & Steel	253,137	290,155	334,038	373,122	409,924	446,722	483,522
Miscellaneous	314,823	352,888	405,306	455,690	510,147	569,142	633,551
Chemicals	921,236	1,184,639	1,328,139	1,468,058	1,604,903	1,741,749	1,878,595
Grains	548,623	1,007,274	1,179,219	1,384,550	1,629,953	1,923,388	2,274,479
Coal & Coke	1,391,351	1,760,215	1,840,385	1,921,012	2,346,710	2,694,735	3,090,802
Aggregates	6,818,480	8,462,633	9,634,201	10,714,105	11,714,622	12,716,643	13,720,688
Total	**10,345,516**	**13,160,834**	**14,827,832**	**16,426,157**	**18,328,029**	**20,206,299**	**22,197,707**

Source: U.S. Army Corps of Engineers, 1990.

Figure 3

Clark Maritime Centre Inbound Tonnage



Source: INDOT, Planning Division, 1994.

Table 7

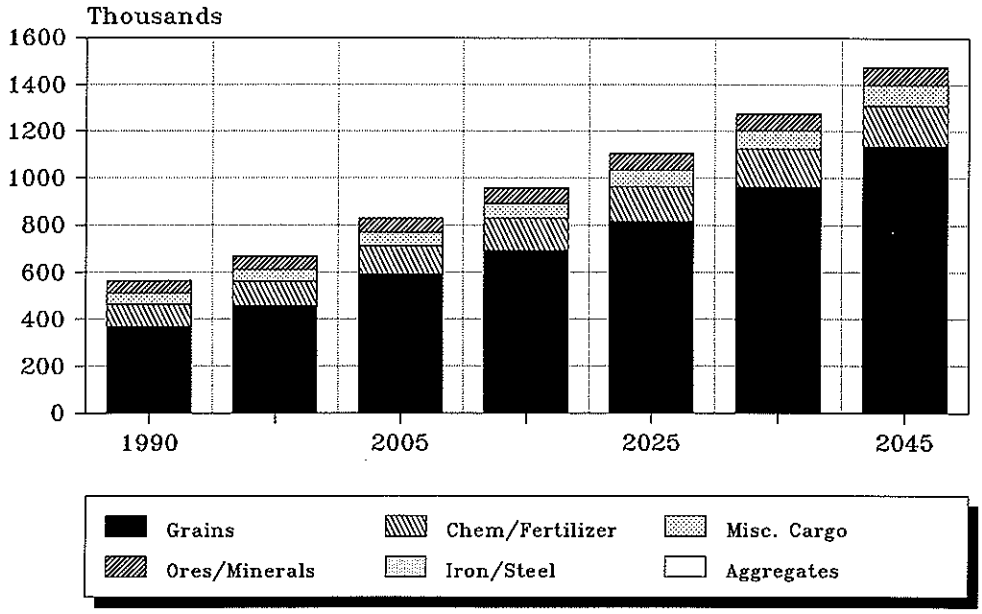
Clark Maritime Centre
Projected Inbound Tonnage

Commodity	1990	1995	2005	2015	2025	2035	2045
Miscellaneous	9,467	12,266	15,402	17,160	18,774	20,362	21,940
Grains	34,348	30,033	25,992	26,549	27,117	27,693	28,290
Ores & Minerals	38,578	39,008	40,175	41,571	42,716	43,686	44,650
Iron & Steel	22,167	26,393	32,519	36,073	39,341	42,564	45,780
Chem. & Fertilizer	34,387	38,115	44,297	49,180	54,021	58,879	63,800
Facility Total	**138,947**	**145,815**	**158,385**	**170,533**	**181,969**	**193,184**	**204,460**

Source: U.S. Army Corps of Engineers, 1990.

Figure 4

Clark Maritime Centre Outbound Tonnage



Source: INDOT, Planning Division, 1994.

Table 8

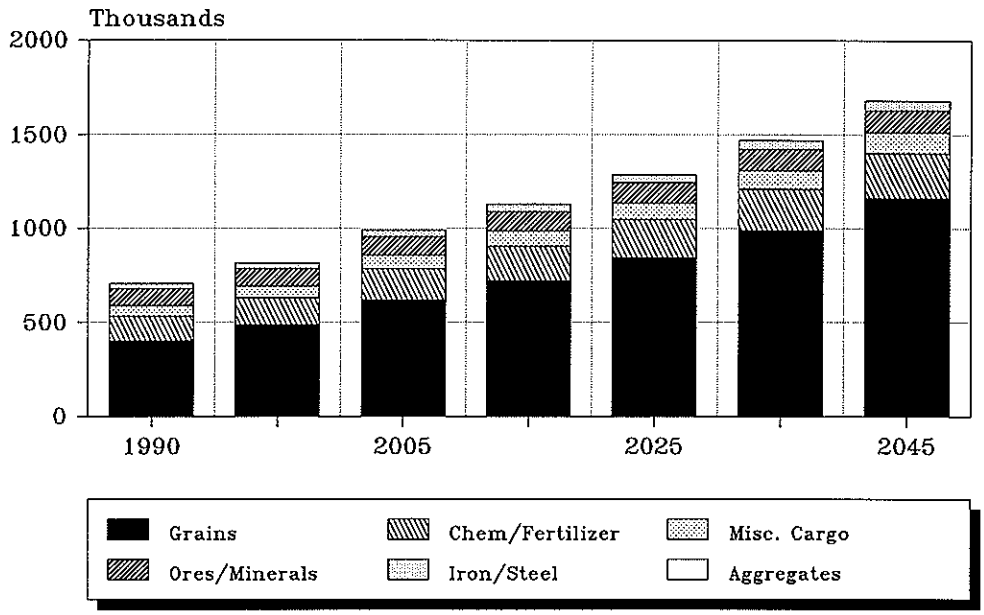
Clark Maritime Centre
Projected Outbound Tonnage

Commodity	1990	1995	2005	2015	2025	2035	2045
Aggregates	62	67	77	87	95	104	112
Iron & Steel	1,823	1,914	2,157	2,444	2,707	2,961	3,215
Ores & Minerals	50,462	53,573	58,781	62,691	66,418	70,244	74,071
Miscellaneous	47,871	49,870	55,721	63,276	70,979	79,314	88,379
Chem. & Fertilizers	96,101	105,173	121,165	134,831	148,177	161,374	174,571
Grains	367,916	456,586	591,795	693,908	815,904	961,745	1,136,192
Facility Total	564,235	667,183	829,696	957,237	1,104,280	1,275,742	1,476540

Source: U.S. Army Corps of Engineers, 1990.

Figure 5

Clark Maritime Centre Total Tonnage



Source: INDOT, Planning Division, 1994.

Table 9

Clark Maritime Centre
Projected Total Tonnage

Commodity	1990	1995	2005	2015	2025	2035	2045
Aggregates	62	67	77	87	95	104	112
Iron & Steel	23,990	28,308	34,677	38,517	42,047	45,525	49,002
Ores & Minerals	89,040	92,582	98,956	104,262	109,133	113,930	118,728
Miscellaneous	57,938	62,135	71,122	80,435	89,754	99,676	110,328
Chem. & Fertilizers	130,488	143,288	165,462	184,011	202,197	220,253	238,379
Grains	402,264	486,619	617,787	720,457	843,021	989,439	1,164,482
Facility Total	**703,782**	**812,999**	**988,081**	**1,127,769**	**1,286,247**	**1,468,927**	**1,681,031**

Source: U.S. Army Corps of Engineers, 1990.

Clark Maritime Centre Port Summary

Clark Maritime Centre is a port facility poised for future maritime and industrial development. The Port has most of the critical locational and infrastructure requirements in place that industrial developers seek. Clark Maritime Centre is located at the intersections of America's automotive and appliance manufacturing corridors. It has large, open areas for intermodal parking and cargo storage, along with modern warehousing and transit shed space for sensitive cargoes. A large stable pool of water located above McAlpine Lock and Dam gives consistent and economical cycle times for water movement. The Clark Maritime Centre provides a logical logistical point for intermodal exchange with rail (CSXT, CP-Soo, and Conrail) and highway (I-65, I-64 and I-71). In short Clark Maritime Centre is Indiana's logistical and industrial Port of the future.

Southwind Maritime Centre 1994-1996 Business Plan

Introduction

Southwind Maritime Centre is located in Mt. Vernon, Indiana, 15 land miles west of Evansville at mile marker 828 on the Ohio River. This facility consists of 745 acres with more than one mile of riverfront access and an additional 1,900 feed of riparian rights. The Southwind Maritime Centre was created in the early 1980's in an effort to provide water shipping services to areas in and around southwestern Indiana. This Port provides year-round barge access to the Inland Waterway System and has facilities that can accommodate both standard and LASH barges. The berths are protected from wave action and have both dry and liquid cargo handling facilities.

The Port currently maintains the following major infrastructure:

- Seven docks/loading facilities directly on the Ohio River, four of which are served by conveyor systems, one is served by a 60-ton bridge crane that loads into a large public transit shed, and one services a major rail-to-barge coal transloading facility.
- Three docking areas along the western bank of the 1,500' x 600' embayment (slackwater harbor), one of which services a liquid pipeline.
- Floating barge service plant, including a floating drydock operated by Mt. Vernon Barge Service, moored in the northeast corner of the embayment.

- Various grain silos, dry chemical/fertilizer domes, liquid tanks, warehouses and outside storage fields as developed by various commercial tenants.
- Over two miles of public roadways.
- Over five miles of railroad tracks, including both switching and storage tracks.
- A 1,600 foot long, 40 feet high earthen dike, constructed of material originally excavated to form the embayment. This dike serves to protect the harbor area from flow damage and debris in case of Ohio River flooding. Top elevation of the dike is 381 feet above mean sea level.

Southwind is accessible via Indiana State Route 62, which also connects Mt. Vernon and Evansville. State Road 62 is a four-lane, divided highway running east of the Port and connects with U.S. 41 in Evansville and with Interstate route I-164 near the Vanderburgh-Warrick County Line. Interstate route I-164 connects with I-64 north of Evansville. Rail service to the Southwind Maritime Centre and Posey County is provided by CSXT.

Southwind Maritime Centre Goals, Objectives and Actions

The 1994-1996 goals for the Southwind Maritime Centre developed by the Indiana Port Commission are identified in **Table 10**. The goals for this facility are:

- Increase the port's market share through existing tenants;
- Increase the port's cargo base through new users and cargoes;
- Complete the port's landside development, and;
- Improve the port's inland transport linkages.

Specific objectives and actions associated with each of these goals are also identified in **Table 10**.

Table 10

Southwind Maritime Centre Goals, Objectives and Action Steps

Goal	Objectives	Actions
Increase the market share of the Southwind Maritime Centre through existing tenants.	Assist tenants in generating more sales.	• Market unused facility time and tenant capabilities jointly.
	Increase coal shipments to the Southwind Maritime Centre.	• Market, jointly, the Port as a site for transshipment and blending of Western coal. • Assist MAPCO and Consolidated Grain and Barge in capturing spot coal shipments and contract shipments from other mines in the region.
	Assist stevedores in marketing the Port.	• Handle inquiries regarding port services.
Increase the cargo base of the Southwind Maritime Centre through new users and cargoes.	Conduct a feasibility study of establishing an refinery for Ethanol/Methanol/NTBE.	• Arrange cost sharing with SIGECO. • Solicit bids to conduct study. • Evaluate results and determine if feasible.
	Market Port as a year-round facility.	• Send direct mailings to all shippers and carriers, highlighting recent navigation problems on the Mississippi and Illinois Rivers. • Follow up with sales calls to select executives.
	Extend and expand container contract.	• Solicit staffing, repairs and cleaning. • Find viable back-haul cargoes.
	Activate and use Foreign Trade Zone.	• Solicit use to auto assembly plants and other international businesses.
	Attract steel cargoes.	• Market Port to steel mills as distribution site. • Market Port for steel feed stocks, iron ore, DRI.

Source: Indiana Port Commission, 1994.

Table 10 (Continued)

Table 10 (Continued)

Southwind Maritime Centre Goals, Objectives and Action Steps

Goal	Objectives	Actions
Complete landside development at the Southwind Maritime Centre.	Secure funding for infrastructure construction.	• Follow up on Posey County's Overall Economic Development Plan submission.
	Downsizing of the Harbor.	• Use recommendation to sink barges, add 16.0 acres to landside for new fleeting and additional revenues.
Improve inland transport linkages at the Southwind Maritime Centre.	Secure access to the Port by a secondary rail carrier.	• Initiate a dialogue with CSXT officials.
	Assure funding of S.R. 69 relocation and development project.	• Interact with the Legislature to keep the project moving.

Source: Indiana Port Commission, 1994.

Southwind Maritime Centre External Operating Environment

Since the Ohio River and the Inland Waterway System provide both Southwind and Clark with means of waterborne cargo excess, the external operating environments for both ports are similar in nature.

Southwind also has some advantages over Clark in that it does not face stiff competition from Kentucky river ports. Currently, no bridge crosses the Ohio in the Mt. Vernon area and this confines local Indiana and Illinois shippers to using the Indiana side of the river. Mt. Vernon and Evansville also experience a good business relationship and often mutually support each other with business ventures.

Major problems facing Southwind involve improved and expanded infrastructure to serve industrial growth. Industrial development, which would undoubtedly require substantial truck traffic, would require improved local roads as well as improved excess of I-64 or U.S. 41 without traveling through Evansville. Additionally, despite its long southern border with the Commonwealth of Kentucky, there is no direct transportation link across the Ohio River. Construction of an Ohio River bridge somewhere between Evansville and Mt. Vernon would attract a western Kentucky labor pool as well as open up new market areas.

Evansville and Mt. Vernon would attract a western Kentucky labor pool as well as open up new market areas.

Although Mt. Vernon and the Southwind Maritime Centre receive rail service from CSX Transportation, there are long standing service issues. The Mt. Vernon Chamber of Commerce and the Southwind Maritime Centre are attempting to work with CSXT to remedy these issues. In the meantime, a number of industries that could be using rail service are using trucks to move their cargoes. Southwind has recently, however, made a contract agreement with MG Rail to provide shortline services to the port facility.

Adequate water supply and wastewater treatment are additional infrastructure concerns which exist in Posey County. The Mt. Vernon and New Harmony municipal wastewater treatment systems are currently operating at or near capacities. The Mt. Vernon treatment facility is currently under construction to upgrade its facility.

Southwind Maritime Centre Internal Operating Environment

The staffing pattern at Southwind is similar to that of Clark, and has remained relatively unchanged with the exception of hiring a new Port Director on 1989 with responsibility for Southwind only. No significant deficiencies have been identified in the existing staffing pattern. The need to retain additional consultants and legal personnel to handle leases and other specialized matters may be required in the near future.

Southwind Maritime Centre has been quite successful in attracting industrial tenants to the Port, but their future success will hinge on capitalization of Port infrastructure and services. Adequate capital funds must be dedicated to construction of utility lines, drainage, rail trackage and road improvement. Posey County has submitted an Overall Economic Development Plan (OEDP) to the U.S. Department of Commerce, Economic Development Administration (EDA). The result of this action is that the EDA could make a public works grant to the Port for some of these needed improvements.

Currently, the Southwind Maritime Centre supports the following tenants listed below.

- **Consolidated Grain and Barge Company** operates a grain elevator with a capacity of 2.35 million bushels. Consolidated is partially owned by two Japanese firms, Zen-noh and C. Itoh and Company, headquartered

in St. Louis, Missouri. Consolidated moves between 30.0 to 40.0 million bushels of grain out of the Southwind Maritime Centre each year. They are capable of handling 200 trucks and 150 railroad cars (100 tons each) on a daily basis. The loading rate is 30,000 bushels per hour/per belt. Modern equipment feature trouble-sensing devices and up-to-date environmental control systems. Total storage, merchandising and transport services are available.

Consolidated has stevedoring capability at all their port locations and they have the ability to load and unload all their products. Consolidated competes for a number of commodities and has recently received a contract to handle petroleum coke at Southwind. They also handle fertilizers, coal, salt, iron ores, grain by-products and other bulk commodities and offer a complete range of services.

- **Cargill, Inc.**, at the Southwind Maritime Centre is primarily a bulk and liquid fertilizer wholesaler and storage facility. Cargill has three 1.0 million gallon liquid storage tanks, four dry dome tanks with a combined capacity of 22,200 tons and an outside bulk storage capability in excess of 8,700 tons.

  Cargill has direct unloading facilities and on-site scales to facilitate cargo movement. Cargill has been looking into new cargo prospects including: (1) Flux, consisting of salt and potash, used to purify aluminum and steel in its smelting process, and (2) salt, primarily highway salt.

- **Hutson Company, Inc.**, is a family owned business based in Murray, Kentucky. It has 20 small retail plants throughout the Midwest and 365 dealer accounts in Tennessee, Kentucky, Illinois and Indiana. The Corporation handles between 400,000 to 500,000 tons a year. Southwind's share of this is about 80,000 tons per year. The Southwind facility was completed and went into operation in March, 1987, with barge to rail, barge to truck, barge to storage and storage to truck loading and unloading capabilities. In 1988, the company added rail and warehousing off-loading and rail to truck operations. Hudson has a four dry-bin facility capable of storing 20,000 tons. Principle fertilizers include potash, urea and DAP.

- **Mt. Vernon Coal Transfer Company**, a subsidiary of MAPCO Coal, Inc., is a rail to barge transloading terminal. They currently move approximately 8.0 million tons of coal per year, with present expansion

for ground storage of an additional 3.0 million tons per year. Mt. Vernon Coal is presently loading about 15,000 tons per day and pile an additional 30,000 tons if barges are not available for loading. The transfer facility can empty a unit train (100 cars with 100 tons each of capacity) in approximately four hours using its rapid discharge bottom dump method in which the train maintains a throughput speed of 1/2 mile per hour on a circular track. Environmentally, Mt. Vernon Coal Transfer Company is at current state-of-the-art. The facility has catch basins all around their operational area and their transport conveyor is enclosed to eliminate coal dust.

- **Mt. Vernon Barge Service** is a multi-functioning operation that provides stevedoring services (including container handling), barge towing, fleeting services, as well as inside or outside storage. Their heavy lift capability includes a 60 ton bridge crane with two 10 ton and 30 ton hooks. Mt. Vernon Barge Service operates seven boats with horsepower ranging up to 1,200 HP. They have three 100 ton cranes used primarily to support bulk cargoes that move across three public berths at Southwind. The dry dock at this facility can be used to repair barges and boats up to 80 feet long.

- **Timber Export Products, Inc.**, exports logs and lumber from North Central America to West Germany, Belgium, the Netherlands and France for stripping into veneer. Principal cargoes are red and white oak, ash and walnut logs.

- **Hall-Buck Marine, Inc.**, is the exclusive general cargo operator for the Southwind Maritime Centre. This corporation operates the intermodal maritime terminal and warehouse for handling of general and bulk cargoes. They provide customary stevedoring and warehousemen's services related to the movement of cargo.

- **Polar Minerals** processes and custom grinds and bags mineral pigments for the paint, pharmaceutical and plastic industry. This terminal offers rail and truck loading and covered storage of 10,000 tons. The site has access to truck and rail scales.

Southwind Maritime Centre Marketing Assessment

The southern portion of Posey County has its heritage in the industry of the Ohio River. Mt. Vernon, the most populated community in the county, continues to view the river as an opportunity for the future. The economic base

of the area has traditionally been agriculture. Yet as farming became more mechanized and jobs developed in the urban centers between 1900 and 1930, many Posey County residents left the are to find work.

Modern industrial development in Posey County was initiated in the late 1950's. Mead Johnson (now Bristol-Myers Squibb) purchased a 600 acre site in eastern Posey County in 1957, but did not open its first facility until 1970. General Electric opened its Mt. Vernon facility for production of engineering thermoplastics in 1960. Babcock and Wilcox opened its Mt. Vernon production facility to manufacture heavy pressure vessels for the energy industry in 1963. This activity continued into the early 1970's with the opening of the GAF roofing materials production facility in 1972 and development of the Southwind Maritime Centre in 1973. With the exception of Babcock and Wilcox, which suffered major setbacks as demand for equipment for the nuclear power industry sharply declined after Three Mile Island, all of these other industries have shown continued growth in both investment and employment.

International marketing efforts of the Indiana Port Commission and the Indiana Department of Commerce on behalf of Southwind include representation in Great Britain, Germany and Japan. The marketing department of Southern Indiana Gas and Electric Company (SIGECO) is also actively involved in industrial promotion. The Mt. Vernon Chamber of Commerce and the Southwind Maritime Centre participate in the Southwestern Indiana Economic Development Council. The Council is comprised of representatives from local government, private industry councils, utilities, chambers of commerce and local economic development agencies from an eleven county area. The purpose of the Southwestern Indiana Economic Development Council is to promote a regional approach to industrial recruitment.

The Indiana Port Commission recently received approval by the Foreign-Trade Zones Board of the U.S. Department of Commerce for Grant No. 177 to the Southwind Maritime Centre. This Grant of a Foreign Trade Zone to Southwind will also allow Evansville to establish subzones for industrial and international activity. Firms use Foreign Trade Zones to maintain cost competitiveness of their U.S. based operations versus foreign based competition. Zone status provides the opportunity to reduce certain domestic operating costs that are not incurred if operating from a foreign site.

Southwind Maritime Centre Projected Waterborne Traffic Trends

In 1986, the base year on which the most recent Ohio River Division (ORD) commodity shipment forecast was based, over 6.0 million tons of freight

were reported shipped from or received at Mt. Vernon, most of it through the Southwind facility. This freight includes over 5.0 million tons shipped (mainly coal and grains), and approximately 1.0 million tons of receipts (mainly fertilizers, chemicals, and petroleum products). A detailed tabulation of 1986 volumes and projections, for those commodity groupings which include movements using Southwind is provided in **Table 11** and **Table 12**. It should be noted that both **Table 11** and **Table 12** include all Port of Mt. Vernon shipments and receipts, not just Southwind Maritime Centre traffic.

In general Ohio River Division projections anticipate a 5.0% annual growth in Mt. Vernon grain shipments until the year 1999, and a 1.8% annual growth rate thereafter. With regard to waterborne fertilizer receipts, a 1.9% annual increase is expected until 1999, and a 0.9% annual growth rate is expected thereafter. Grain and fertilizer are the primary commodities currently using the Southwind Maritime Centre. In order to provide an indication of freight trends at Southwind, **Table13** is a thirteen (13) year summary of the facility's shipments and receipts. This table is a compilation of all commodities.

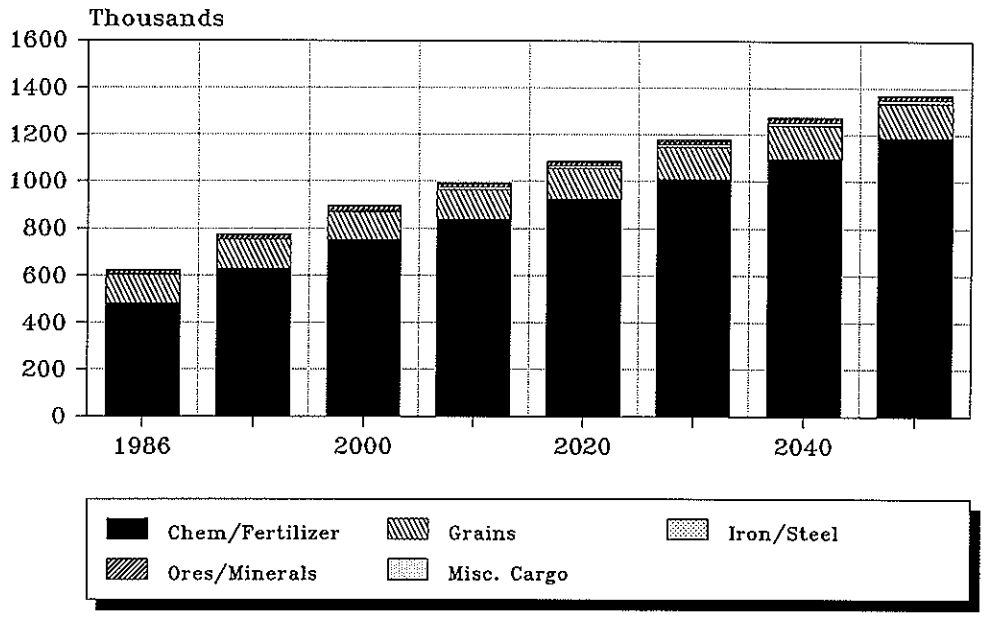
Southwind Maritime Centre Port Summary

The importance of the Southwind Maritime Centre has expanded quite rapidly since its creation in the early 1980's. It clearly serves the agricultural and mining interest of its hinterland with the 1990 movement of over 4.4 million tons of bulk cargoes. Projected forecasts indicate substantial increases in coal shipments in the next ten years. Increases in grain shipments will be constrained until greater ease in access to Kentucky across the Ohio River is achieved or a new agreement can be reached between CSXT and the Southwind Maritime Centre. The key to future industrial development at the Southwind Maritime Centre will be completion of infrastructure development, an increase in municipal water and sewage capacities, and creation of an improved highway access into the Port facility.

With emerging markets of Mexico, the Caribbean, and South America, use of the Avenue of the Americas (the Inland Waterways) for domestic use involving import/export markets, Southwind Maritime Centre will be one of the emerging ports with its access to Mobile, Alabama via the Tennessee-Tombigbee waterway system and New Orleans on the Mississippi waterway.

Figure 6

Port of Mt. Vernon Inbound Tonnage



Source: INDOT, Planning Division, 1994.

Table 12

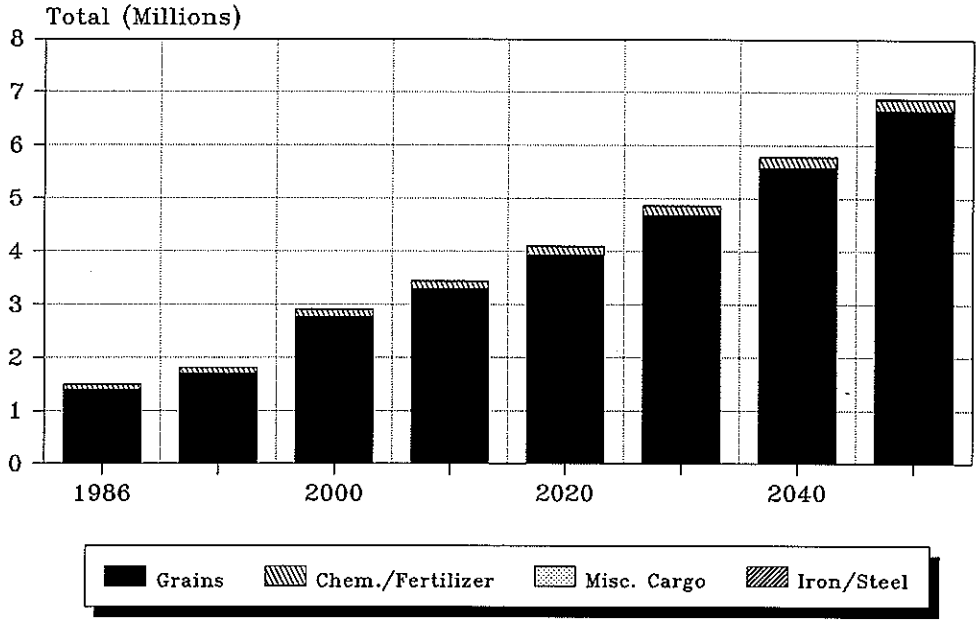
Port of Mt. Vernon, Indiana
Inbound Receipts Tonnage

Commodity	1986	1990	2000	2010	2020	2030	2040	2050
Crude Petroleum	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Aggregates	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Miscellaneous	3,680	3,884	4,756	5,254	5,765	6,303	6,882	7,506
Ores & Minerals	10,643	10,877	11,243	11,651	12,006	12,256	12,506	12,756
Iron & Steel	6,650	7,925	9,633	11,032	12,243	13,386	14,528	15,670
Grains	120,493	120,638	121,261	126,198	131,321	136,647	142,226	148,022
Chem. & Fertilizers	481,212	631,134	748,584	837,789	924,027	1,009,449	1,097,071	1,187,081
Total Receipts	**622,678**	**774,458**	**895,477**	**991,924**	**1,085,362**	**1,178,041**	**1,273,213**	**1,371,035**

Source: Indiana Port Commission, 1994.

Figure 7

Port of Mt. Vernon Outbound Tonnage



Source: INDOT, Planning Division, 1994.

Table 11

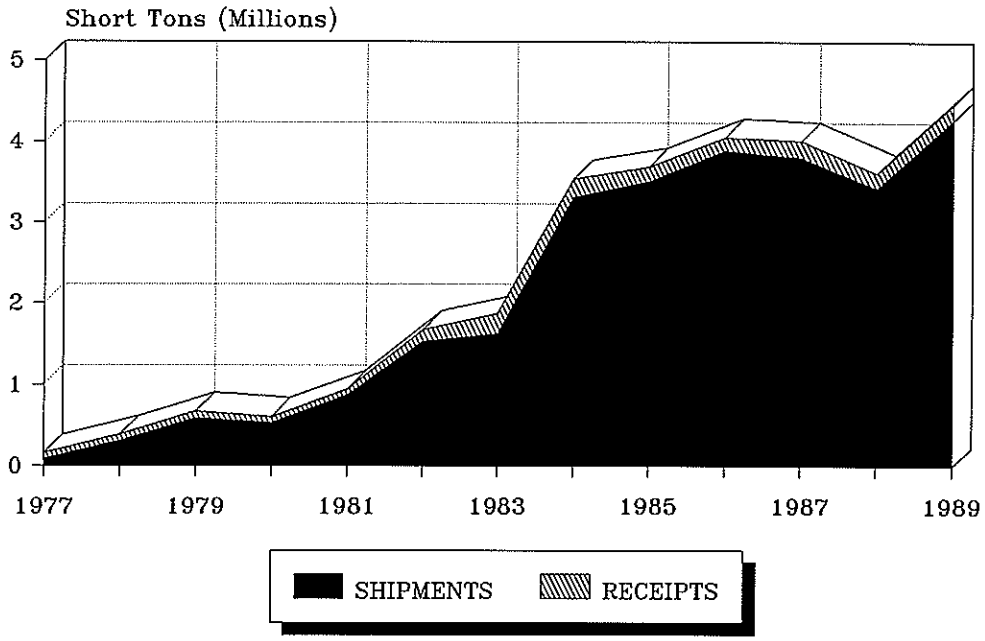
Port of Mt. Vernon, Indiana
Outbound Shipment Tonnage

Commodity	1986	1990	2000	2010	2020	2030	2040	2050
Coal	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Petroleum Fuels	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Iron & Steel	1,525	1,993	2,943	3,665	4,296	4,898	5,499	6,099
Miscellaneous	5,533	6,011	7,621	8,936	10,120	11,242	12,364	13,484
Chem. & Fertilizers	97,297	107,497	127,023	142,191	157,090	171,947	187,214	202,928
Grains	1,390,131	1,694,900	2,774,183	3,299,448	3,927,748	4,679,655	5,580,265	6,659,151
Total Shipments	**1,494,486**	**1,810,401**	**2,911,770**	**3,454,240**	**4,099,254**	**4,867,742**	**5,785,342**	**6,881,662**

Source: Indiana Port Commission, 1994.

Figure 8

Southwind Maritime Centre Tonnage



Source: INDOT, Planning Division, 1994.

Table 13

Southwind Maritime Centre
Summary of Waterborne Shipments and Receipts

Year	Shipments	Receipts	Totals
1977	87,215	70,039	157,254
1978	311,331	75,131	386,462
1979	583,178	87,902	671,080
1980	535,589	69,220	604,809
1981	871,522	72,171	943,693
1982	1,526,183	147,955	1,674,138
1983	1,625,978	251,144	1,877,122
1984	3,312,412	226,007	3,538,419
1985	3,502,841	188,593	3,691,434
1986	3,885,725	167,520	4,053,245
1987	3,799,729	211,832	4,011,561
1988	3,417,821	190,734	3,608,555
1989	4,269,072	196,735	4,465,807
Total	**27,728,596**	**1,954,983**	**29,683,579**

Source: Indiana Port Commission, 1994.
*All figures in short tons.